

CITY MANAGER'S BUDGET MESSAGE



To the Honorable Mayor and Members of the City Council,

On behalf of City Staff, it is my privilege to present to the residents of the City of Burbank the adopted budget for Fiscal Year (FY) 2020-21. The City's annual budget represents a series of challenges and difficult decisions required to adequately fund the excellent level of services and programs the residents of this City have come to expect. This year was no exception. In the midst of unprecedented times, the City Council approved this budget, which will fund public safety, transportation, libraries, parks and open space, reliable utility services, and street improvements, as well as many other municipal programs and services.

In early 2020, City Staff and the City Manager's office had prepared a Proposed FY 2020-21 Budget that would meet the needs of the Burbank community, yet remain balanced in all five years of the General Fund Financial Forecast. Then in March, everything changed with the emergence of the COVID-19 pandemic. While financial concerns take a back seat to the health and safety of our community members and City staff, the City's revenues and expenses will most certainly be impacted by this crisis.

Without knowing how long the County's Safer at Home (currently revised to the "Reopening Safer at Work and in the Community") Order (Order) will continue, nor how long it will take for businesses, financial markets, and life in general to return to "normal," it is difficult for Staff to predict the financial impact of this pandemic to the City of Burbank. However, the City's Charter dictates that the City Council must adopt a budget prior to June 30 of each year. Thus, the City Council adopted a "workload budget" to maintain the City's operations into the new fiscal year. A workload budget is essentially a repeat of the current year budget, with adjustments for contractual obligations such as MOUs or multi-year contracts, State or Federal mandates, internal service fund rate adjustments, scheduled equipment replacement, and necessary one-time expenditures. As the year progresses and both the short-term and longer-term economic impacts become clearer, staff will take an amended budget to the City Council for consideration.

The magnitude of the financial repercussion of the COVID-19 pandemic remains largely speculative. At this time, we estimate the General Fund revenue loss in FY 2020-21 to be in the range of \$15-\$20 million. To address this operating gap, the City will need to make tactical decisions involving appropriate use of City reserves, cost reductions, and alternate service delivery methods. Already in effect, a modified hiring freeze has been implemented, limiting new hires to critical positions requiring City Manager approval, and City departments are working on identifying ways to reduce the cost of providing their most needed services to the community.

The fiscal discipline that the City of Burbank has maintained and actions taken by this City Council (such as strengthening City revenues, paying down pension liabilities, working with labor groups to implement equal cost sharing of pension costs, and fully funding financial reserves), afford the City the opportunity to be strategic, and not just reactive. By choosing this approach, we protect our community from unintended or unnecessary consequences and become part of the solution working to restore stability for our residents and businesses.



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The attached workload budget provides an interim budget to maintain the City's ability to continue critical services. When more economic data becomes available and business on-going operating practices and restrictions become clear, staff will return with updated projections and recommendations to the City Council.

BUDGET OVERVIEW

ADOPTED BUDGET SUMMARY

While much is unknown about the City's financial picture moving forward, the adopted workload budget maintains the City's existing levels of service for the coming fiscal year while preserving as much General Fund balance as possible to help the City withstand the future financial repercussions of the COVID-19 pandemic. **Table 1** provides a citywide snapshot of the adopted resources and appropriations for FY 2020-21. Total appropriations of \$669.7 million are less than \$1 million more than the Adopted FY 2019-20 Budget, an increase of approximately 0.14 percent.

Table 1 – FY 2020-21 Adopted Citywide Budget

FUND/FUND GROUP	ADOPTED RESOURCES	ADOPTED APPROPRIATIONS
General Fund	\$ 195,050,640	\$ 199,000,904
Special Revenue Funds (incl. Cap. Projects Fund)	57,903,067	49,172,740
Internal Service Funds	57,469,641	57,570,048
Enterprise Funds	37,773,607	42,894,015
Water and Electric (BWP)	271,778,917	299,492,318
Successor Agency	7,233,887	9,446,587
Housing Authority	10,980,197	11,717,457
Parking Authority	786,372	809,746
TOTAL ALL FUNDS	\$ 638,976,328	\$ 670,103,816

GENERAL FUND

GENERAL FUND REVENUE

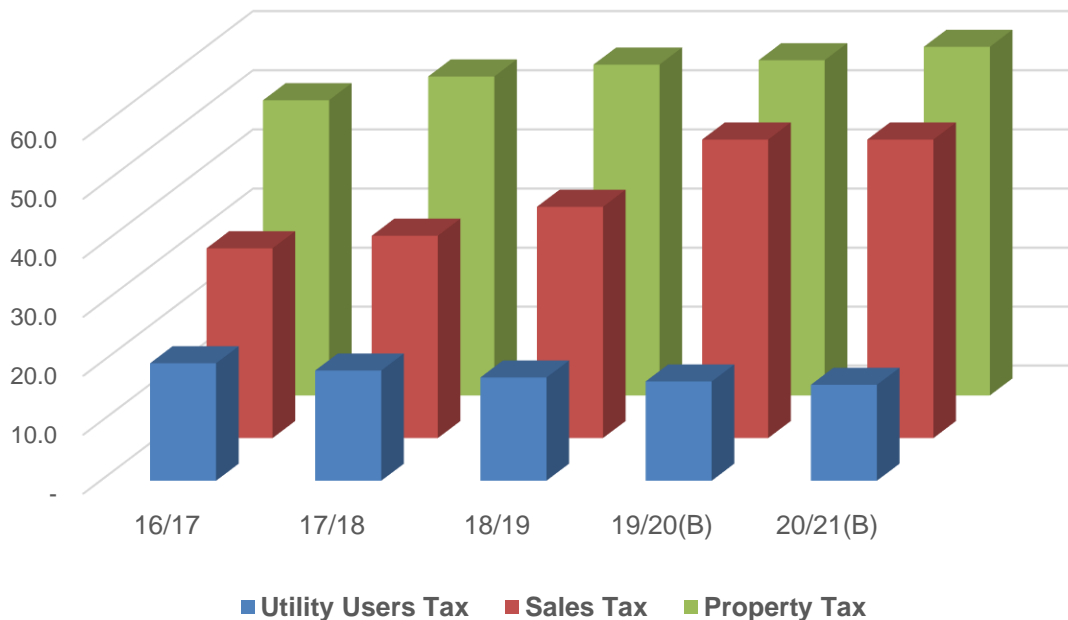
The performance of the City's revenues in the coming year and the extent to which the economy will recover from the COVID-19 pandemic is largely unknown at this point in time. The FY 2020-21 General Fund revenue projections included in the workload budget assume no changes to revenue from the prior year for Sales Tax, Service Charges, Interest/Use of Money, Parking/Traffic/Other Fines, Transient Occupancy Tax, Transient Parking Tax, Business Taxes and Franchise Fees. However, it is understood that those revenues will likely be revised as more information becomes available in the coming months. Overall, the City's adopted recurring revenue estimates for FY 2020-21 increased 1.3 percent over the revised FY 2019-20. Because of the way taxable property is assessed, due and paid, property tax revenues have already been established for FY 2020-21. The impact to property taxes from COVID-19 will be recognized in the 2021-22 fiscal year. Sales tax, property tax, and the utility users' tax continue to be the largest revenue sources, representing 64 percent of the General Fund's recurring revenue.

Chart 1 highlights three years of actual results and two years of projections for the top three General Fund revenue sources: sales tax, property tax, and utility users tax. The increase in sales tax revenue in FY 2019-20 was due to the passage of Measure P, which established a general purpose $\frac{3}{4}$ cent local sales tax. For more detail on the City's General Fund revenue projections and assumptions, refer to the "Revenues" section of this budget document.

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Chart 1 - Top General Fund Revenue Categories (\$ in Millions)



Projected Impacts of COVID-19 to City Revenues:

It is difficult to review the City's FY 2020-21 Adopted Budget without first discussing the magnitude of the impacts of the COVID-19 pandemic on the City's finances, beginning with the General Fund. While much of the General Fund revenue for the fourth quarter of FY 2019-20 has not yet been reported, staff is estimating a loss of approximately \$11 to 15 million in revenue for this quarter

Below is a summary of the General Fund Revenues most significantly impacted by the COVID-19 Pandemic:

Sales Tax – Sales tax revenues have been impacted in a variety of ways during the COVID-19 pandemic. The closure of non-essential businesses will most certainly have a substantial impact on revenue from General Consumer Goods; however, Burbank is fortunate to have a number of retailers deemed essential, that have remained open during the County Order. Restaurant sales will experience significant declines, with most open for takeout only and some closed entirely. Business sales tax will experience declines from reduced activity. Fuel sales will also decrease as a result of significantly fewer commuters on the roads, combined with a drop in fuel prices as well as a sharp decline in jet fuel sales from the Hollywood Burbank Airport. The one bright spot with regard to sales tax will likely come from the City's allocation from the County Pool for online transactions, which has benefitted as a result of the South Dakota v. Wayfair, Inc. decision as well as the overall growth in Burbank's online sales in the midst of this crisis.

Utility Users Tax (UUT)/In Lieu of Tax – Burbank Water and Power experienced a decrease in demand for electricity, predominantly due to a decline in business activity resulting from the County Order. As a result, the City experiences declines in both Electric UUT and In Lieu of Tax revenue. This will likely continue into FY 2020-21 even after the order is lifted, as some businesses may remain closed and others may take a considerable amount of time to return to normal levels of activity.

Transient Occupancy Tax (TOT) – The City's TOT revenues are significantly impacted by the COVID-19 pandemic, as almost all business and leisure travel throughout the world has come to a halt. Additionally, the Governor of California released an emergency proclamation granting the State the authority to convert any hotel into a hospital or quarantine shelter, which could eliminate what little business hotels are receiving at this time and would likely delay the hotels' ability to resume regular business once the immediate crisis

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is over. The City is expecting to experience significant declines in TOT revenue well into the next fiscal year, as the travel industry will likely be one of the slowest industries to recover from the COVID-19 pandemic.

Service Charges – With City facilities limited to the public, a large portion of the City's services are not being fully utilized, specifically within recreation facilities and counter services offered by the Community Development and Public Works Departments. Other services, such as ambulance transportation, continue to operate as normal, though demand may be impacted by COVID-19. The recovery of Service Charge revenues will be based on when facilities reopen and non-essential services are restored, though demand may continue to be reduced well after the City is once again open for business.

Transient Parking Tax (TPT) – 90% of the City's TPT revenues are derived from parking lots serving the Hollywood Burbank Airport. As travel nearly came to a standstill, this revenue category has been significantly impacted by the pandemic. Similar to TOT, TPT revenues will likely be slow to recover even with travel permitted to resume, as both business and leisure travel will be slow to return to pre-COVID levels.

Parking/Traffic Fines – As a result of the County Order, the City of Burbank suspended all parking citations for street sweeping and other related residential parking restrictions until July 6. Subsequent to the adoption of the budget, this suspension was extended to September 7 and could be potentially further extended. With the delayed reopening of businesses and residents continuing to work from home, parking citations for the fourth quarter of FY 2019-20 experienced a significant decline in revenues, which will carry over to the first quarter of FY 2020-21.

It is challenging for Staff to predict the pace by which the City's revenues may recover from this crisis. The most immediate factor impacting revenues is the duration of the County Order and the extent to which everyday life will resume once the order is lifted. It is safe to assume that revenues will be slow to bounce back, as the economy will not immediately return to its "pre-COVID" level of activity. The rapid rise in unemployment combined with significant declines in the stock market and a massive strain on the Country's healthcare system will most certainly lead to a longer-term economic recession, from which a timeline for recovery is difficult to predict.

Citywide Fee Schedule:

In FY 2017-18, Burbank completed a citywide fee study with City Council accomplishing several goals. First, the City ensured that they were in compliance with California Proposition 26, which limits certain fees collected to the reasonable cost of providing the service. Second, the City Council established a cost recovery policy, which provides a set of principles to determine when and if cost recovery is appropriate for different types of fees for services based on the benefits a user receives above a general taxpayer. Lastly, the City Council approved the expansion of the Burbank Program Activity and Service Subsidy (PASS) program citywide, which provides financial assistance to low income residents for City programs and services. This popular program has allowed the City to implement its cost recovery model while ensuring our low-income residents can still access valued City services.

Recognizing that many residents and businesses are struggling financially due to COVID-19, no fee increases or new fees were adopted by the City Council as part of the FY 2020-21 Budget. The PASS program will continue to provide financial assistance to low income residents for City programs and services and is a resource for residents who may be financially impacted by the COVID-19 Pandemic.

GENERAL FUND APPROPRIATIONS

While staff initially proposed a number of exception items and service enhancements early in the budget process, the workload budget as adopted contains no new expenses unless they are contractual obligations, critical items necessary for the continued operations of the City, or items that utilized restricted funding not available for general uses. Examples include the increase to funding for employee education reimbursement, the use of restricted Art in Public Places Funds to continue the utility box beautification program, and several IT projects that were deemed necessary to meet legal mandates or provide security protection for the City's network and financial systems.

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As stated previously, the City will need to amend the budget in the next few months as more financial data is received and the impact of the pandemic can be more accurately projected. In addition to the already implemented hiring freeze, staff is already researching a variety of options to present to the City Council to achieve budget savings both in the short term to address the immediate impacts of the pandemic and over the next several years to manage the long-term impacts of the resulting economic recession.

Salaries and Benefits comprise roughly 80% of the recurring General Fund budget. Increases to salaries and benefits, as dictated by the adopted Memoranda of Understanding (MOU) for all of the City's labor groups, have been incorporated into the FY 2020-21 Budget. The FY 2020-21 MOU for the Burbank City Employees Association (BCEA) is still outstanding as of the date of budget adoption. Additionally, the FY 2020-21 workload budget includes required increases to pension expenses for both the normal cost and the City's unfunded actuarial liability (UAL). **Table 2** shows the actual CalPERS employer rates and revised unfunded actuarial liability (UAL) contributions for the three employee classifications for the current year (FY 2019-20), next fiscal year (FY 2020-21) and the current projected employer rates and contributions for the following two fiscal years (FY 2021-22 and FY 2022-23).

Table 2 – City of Burbank Pension Costs FY 2019-20 – FY 2022-23

Classification	Actual FY 2019-20	Actual FY 2020-21*	Projected FY 2021-22	Projected FY 2022-23
Police 3% @ 50 Rate	22.774%	23.421%	23.4%	23.4%
Police Liability Payment	\$6,234,741	\$6,585,150	\$7,438,000	\$8,144,000
Fire 3% @ 55 Rate	16.798%	17.856%	17.9%	17.9%
Fire Liability Payment	\$3,958,906	\$4,208,896	\$4,805,000	\$5,293,000
Misc 2.5% @ 55 Rate	9.688%	10.555%	10.6%	10.6%
Misc Liability Payment	\$17,187,123	\$17,579,506	\$19,689,000	\$21,431,000

* Amounts shown are the total amounts due for FY 2020-21 if the City were to pay CalPERS on a monthly basis. For FY 2020-21, staff is proposing to prepay the liability payments, which will result in a net savings of \$1,002,070 citywide.

Impacts of COVID-19 to Future Pension Expenses:

The emergence of COVID-19 has negatively impacted investment funds throughout the world, and of course California Public Employee Retirement System (CalPERS) funds are no exception. As of the end of June, CalPERS reported a year-end investment gain of 4.7%, which is below CalPERS' expected rate of return of 7%. While the pension rates are set for FY 2020-21, the lower than expected outcome experienced at the end of FY 2019-20 will have a negative impact on future pension costs, beginning in FY 2021-22. There will be 5-year ramp up before the City will incur the full impact of the current year results. Analyzing the impact of CalPERS investment returns specifically to Burbank, the 4.7% return will result in an annual General Fund impact of \$430,000 in FY 2022-23, ramping up to \$2.1 million by FY 2026-27.

The FY 2020-21 Budget includes \$13 million in funding citywide (\$8.8 million General Fund) to continue the multi-year pension funding plan approved by the City Council during the prior budget process (see **Table 3**). By continuing with our pension funding plan (\$13 million in FY 2020-21, \$13 million in FY 2021-22, and \$12 million in FY 2022-23), the City can reduce the impact of the increase by \$3 million annually, saving the City \$53 million over the next 20 years. Depending on CalPERS investment returns, it is likely that the multi-year funding plan will need to be extended to include additional years of funding to ensure our annual CalPERS obligations remain affordable to the City and in line with the City Council's adopted pension funding policy.

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Table 3 – City of Burbank Pension Funding Plan FY 2019-20 – FY 2022-23

PLAN	TOTAL 4-YEAR COMMITMENT	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	INTEREST SAVINGS	PAY- OFF PERIOD
Misc	\$ 34,000,000	\$10,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$35,864,382	20 YRS
Police	\$ 12,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$17,349,733	24 YRS
Fire	\$ 7,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 1,000,000	\$ 9,744,444	24 YRS
Citywide	\$ 53,000,000	\$15,000,000	\$13,000,000	\$13,000,000	\$12,000,000	\$62,958,559	
Gen. Fund Commitment	\$ 36,000,000	\$10,000,000	\$ 9,000,000	\$ 9,000,000	\$ 8,000,000	\$45,026,368	

In June of 2020, the Burbank City Council approved the establishment of a Section 115 trust, along with the recommendation to fund the trust with a \$10.7 million General Fund commitment. The Section 115 trust will allow the City to set aside funds that could be used to help offset future pension related economic volatility. The funding of the 115 trust is another strategy the City is utilizing to address on-going pension obligations, in furtherance of the City Council's Pension Funding Commitment Policy.

GENERAL FUND SUMMARY

The FY 2020-21 revenue and appropriations contained within the adopted workload budget projects a recurring balance of \$5,689,208 in FY 2020-21. However, this is prior to adjusting revenues to reflect the current economic situation. Factoring in the revised anticipated ending balance from FY 2019-20, required contributions to reserves and adopted one-time appropriations, including the second year of the multi-year pension funding plan, staff is expecting an available balance of \$2,941,558 in the General Fund at the end of FY 2020-21. While the workload budget as adopted does not assume a recurring deficit for FY 2020-21, those numbers are certain to change once the full financial impact of the COVID-19 pandemic is realized.

STATE AND FEDERAL RESPONSES TO COVID-19

Available Financial Resources for Local Agencies:

In response to the COVID-19 pandemic, Governor Newsom signed emergency legislation on March 17, 2020, providing up to \$1 billion in funding to help California fight COVID-19. On March 22nd, California received a presidential Major Disaster Declaration to bolster California's COVID-19 emergency response efforts by providing federal funding to state and local governments for emergency protective measures. The Federal declaration enables the Federal Emergency Management Agency (FEMA) to reimburse for activation of the Emergency Operations Center, materials (such as face masks and personal protective equipment), and overtime personnel costs for safety. The City of Burbank sent in the initial application for FEMA funding (California COVID-19; EM-3428) on March 31st. The Bureau of Justice Assistance (BJA) is seeking applications for the Coronavirus Emergency Supplemental Funding Program (DOJ-BJA COVID-19) to assist eligible states and local governments in preventing, preparing for, and responding to the Coronavirus. The City is eligible to receive \$46,941 and submitted an application in May. On March 27th, the President signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) directing the U.S. Department of Housing and Urban Development (HUD) to immediately allocate \$3.064 billion to help America's low-income families and most vulnerable citizens. Using existing grant formulas and through its Community Development Block Grant (CDBG) Program, HUD has awarded the City of Burbank \$614,764. The funds will be used to provide emergency rental assistance for Burbank residents as well as providing forgivable loans to small businesses who comply with the program guidelines. As part of the State's share of the CARES Act funds, the State will allocate \$275 million to cities with a population



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of less than 300,000 on a per capita basis. The City of Burbank is expected to receive \$1.3 million from this allocation to be utilized on COVID-19 related expenses as defined by the CARES Act guidance issued by the Treasury Department. Staff will continue to seek and monitor funding opportunities that become available to the City.

Impacts of State & Federal Relief Programs to Local Governments:

On March 30, Governor Newsom signed an Executive Order allowing the California Department of Tax and Fee Administration (CDTFA) to offer a 90-day extension for sales, use and transactions tax returns and tax payments for all businesses filing a return for less than \$1 million in taxes. That means small businesses will have until the end of July to file their first-quarter returns. The order also extends the statute of limitations to file a claim for refund by 60 days to accommodate tax and fee payers. In addition to the 90-Day Sales Tax Extension Plan, small business taxpayers will be able to enter into a 12-month, interest-free, Installment Plan Agreement (IPA) for up to \$50,000 of sales and use tax liability. Small business is defined as those with less than \$5 million in taxable annual sales. This means that a small business that would typically remit sales tax in April can enter into an IPA to spread their 1st Quarter 2020 payment over a twelve-month period. Based on an analysis done by our sales tax consultant, HdL, the estimated impact to Burbank of the \$50,000 payment plan program is a deferral of \$1,371,437 in the Bradley-Burns sales tax and \$909,263 Measure P tax revenue from FY 2019-20 to FY 2020-21.

The federal government enacted the Families First Coronavirus Response Act (FFCRA), which provides for two different types of partially paid COVID-19 related leave, Emergency Paid Sick Leave (EPSL) and Emergency Family and Medical Leave (EFMLA). These leaves are available to eligible employees from April 1 through December 31, 2020. While private employers are eligible for reimbursement, public agencies will not receive any reimbursement from the federal government for the cost of providing the additional leave to employees or any related backfill expenses or administrative costs.

NON-GENERAL FUNDS

INTERNAL SERVICE FUNDS

The City of Burbank utilizes seven Internal Service Funds to accumulate monies for specific purposes, such as equipment replacement and insurance. In developing the workload budget for the City's internal service funds, staff applied the same principals that were utilized for the General Fund budget. No new programs or services were budgeted for FY 2020-21, with the exception of contractual obligations, critical operational needs, and the scheduled replacement of fully depreciated equipment. Rental rates paid into Internal Service Funds from the General Fund as well as all other City Funds were adjusted to meet FY 2020-21 expenses and cover future liabilities as required by the Governmental Accounting Standards Board (GASB).

The General Liability Fund (Fund 530) and the Workers Compensation Fund (Fund 531) both rely on an actuarial report that is performed annually to determine their long term liabilities for which funds must be reserved. The General Liability Fund experienced an increase in actuarial liability of \$1.6 million for FY 2020-21. Additionally, the cost of the City's liability insurance increased by \$400,000, necessitating an increase to the Fund 530 Budget for FY 2020-21. Conversely, the Workers Compensation Fund experienced a decrease in actuarial liability for the 2020-21 fiscal year. This reduction, combined with no new increases in budgeted expenses for Fund 531, resulted in a citywide reduction in workers compensation rates for FY 2020-21. The adopted budget factors in savings of over \$1.7 million citywide, with roughly \$1 million of that savings directly benefitting the General Fund. The Management Services Department, in cooperation with the City's labor groups, continues to make progress on reducing Workers Compensation expenses, which is one of the first budget savings initiatives identified by the City Council.

The Vehicle Equipment Replacement Fund 532, Office Equipment Replacement Fund 533 and Communication Equipment Fund 535 (managed by BWP), continue to operate with no new capital items or increases to operating budgets. As mentioned above, these funds will continue with the scheduled replacement of fully depreciated equipment for the coming budget year. Within the Vehicle Fund, 77 pieces of equipment are scheduled for replacement in FY 2020-21, for a total budget of \$4,767,978. 95 additional depreciated vehicles have been deferred to a future year, for a savings of over \$9.3 million. Within Fund 533, a number of Safety items totaling \$247,041 are budgeted for replacement, including "Jaws of Life"

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rescue tools and ballistic vests and helmets for the Fire Department, as well as Automated License Plate Readers for the Police Department.

In FY 2018-19, the City converted the entire IT Department to an Internal Service Fund by consolidating the General Fund IT budget and the Computer Equipment Replacement Fund budget into the newly renamed Information Technology Fund (Fund 537). The Information Technology Fund receives its revenues in the form of rates paid by other departments based on the results of an annual cost of service study. In addition to the annual rental rates paid by departments, the adopted budget includes a one-time contribution from the General Fund to the IT Fund of \$707,750 to fund several technology projects deemed critical to the City's operations for the 2020-21 fiscal year.

SPECIAL REVENUE FUNDS

The City has several Special Revenue Funds which are administered by various departments and fund infrastructure improvements as well as a range of City programs. These funds receive restricted revenues that can only be used for specific purposes, such as Gas Tax Funds for street construction and maintenance or Housing and Urban Development (HUD) funds for affordable housing. The following highlights some of the special revenue funds which have new appropriations for FY 2020-21:

Funds 104, 105, 107 and 108 (Transportation Funds):

These funds provide transit programs and public improvements through the use of Local Return money generated by ½ cent sales tax increases that were approved by Los Angeles County voters in 1980, 1990, 2008 and 2016. Unfortunately this means that these revenues are



subject to fluctuations in the economy and will certainly be impacted by the COVID-19 pandemic. Due to the anticipated losses in revenue, staff performed an analysis of each transportation fund to determine whether they had sufficient fund balance to support FY 2020-21 appropriations if revenue were to decline by 30%. The 30% figure is based on initial worst case projections provided by the California City Finance website.

Within all of the City's transportation funds, \$8.7 million has been appropriated in FY 2020-21 to fund the BurbankBus system (including fixed-route, senior and disabled transit), maintenance and improvements to the Downtown Metrolink Station, and various street improvements throughout the City. While operating budgets will remain consistent with prior year, the Community Development is taking steps to reduce operating expenses during the current crisis. The BurbankBus fixed route service has been reduced by 22%, and Sunday Service has been suspended for the Senior & Disabled transit program. Within our Measure R and Measure M Funds (107 and 108), capital appropriations have been balanced between the funds to insure that the City can withstand a potential loss in revenue while still maintaining our annual commitment to the street paving program.

Fund 122 (Community Development Block Grant): Community Development Block Grant (CDBG) monies go to fund both public service projects as well as capital projects designed to benefit persons of low to moderate income. In July 2020, the Community Development Department will be presenting a CDBG spending plan to the City Council for \$162,987 in public service funding and \$706,280 in capital and economic development project funds. As mentioned previously, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) will provide an additional \$614,764 in HUD funding to Burbank's CDBG program. On May 19, the City Council approved a spending plan to utilize these funds to provide emergency rental assistance to low-income households who have been impacted due to the COVID-19 pandemic, and forgivable loans to small businesses who were not successful in receiving federal Small Business Administration assistance.

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Funds 123 and 125 (Street Improvement Funds): These funds receive revenues collected by the state through vehicle registration fees and fuel excise taxes, and were roughly doubled when voters approved SB1, in April 2017. The combined budgets for the Road Maintenance and Recovery Act (RMRA) Fund and the Gas Tax Fund total \$4.4 million for FY 2020-21. Similar to the Transportation Funds, revenues for Funds 123 and 125 will likely dip in FY 2020-21. The demand for fuel statewide has decreased significantly, as commuters and travelers have been impacted by state and local public health orders. Prior to the adoption of the budget, staff performed an analysis of our Street Improvement Funds to determine whether there is sufficient fund balance to support FY 2020-21 appropriations if revenue were to decline by 20-30 percent. The RMRA Fund will move forward with \$2 million dedicated to street improvements for FY 2020-21, which funds a list of specific projects approved by the City Council in March 2020. Conversely, no capital dollars were appropriated for the Gas Tax Fund, as the fund has only a limited amount of fund balance available to cover a projected decline in revenue. Should Gas Tax revenues exceed operational costs in the coming year, staff will return to the City Council with a plan to dedicate those additional funds to our street paving program.



Fund 127 (Public Improvements Fund): This program funds public improvements through the receipt of Development Impact Fees. The Public Improvements budget is just under \$3 million for FY 2020-21, with, \$1.6 million going towards capital improvements. Included in this year's infrastructure investment plan is \$350,000 for the I-5/HOV Empire Interchange and \$600,000 for improvements at Brace Canyon Park, including the installation of artificial turf.

Fund 128 (Affordable Housing Programs): The City receives funds annually from HUD for affordable housing programs. For FY 2020-21, Burbank is investing a combined total of \$552,581 in HOME program funds to improve substandard housing in the City and Permanent Supportive Housing (PSH) funds which will be utilized for rental assistance and supportive services for chronically homeless persons.

Fund 129 (Street Lighting): The General Fund directs 1.5 percent of the 7 percent BWP In-Lieu of Tax fee transfer revenue to this fund for the purpose of maintaining citywide street lights. Approximately \$2.8 million is appropriated this year for street lighting improvements and maintenance.

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The City of Burbank currently has four Enterprise Funds: Electric, Water, Water Reclamation & Sewer, and Refuse. Each Enterprise Fund must ensure that its revenues cover operating expenses, including depreciation and cost of providing goods and services to users/customers. Revenues may be comprised of service charges/fees/sales, interest, and other income.

The Utility Rate Public Hearing originally scheduled for May 5, 2020 was cancelled and there is no plan to reschedule the hearing at this point in time. While rate increases were originally planned for the Electric, Water, and Refuse funds for FY 2020-21, these increases were postponed to avoid further exacerbating the financial situation Burbank's residents and businesses are experiencing as a result of the COVID-19 pandemic. Thus, all Enterprise Fund budgets as adopted reflect no rate increase for FY 2020-21. The cash flows for all four funds were analyzed, and while some adjustments to expenses were necessary, the Electric, Water, Sewer and Refuse Funds will continue current service levels and do not currently anticipate rate increases in the 2020-21 Fiscal Year.

Fund 494 (Water Reclamation and Sewer Fund): The Public Works Department administers this Fund and its main objective is to operate and maintain the City's Water Reclamation Plant and Industrial Waste Monitoring in compliance with federal, state and local regulations. The Water Reclamation and Sewer Fund has a FY 2020-21 Budget of \$21.5 million with \$2.8 of that amount dedicated to capital projects.

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Fund 498 (Refuse Collection and Disposal Fund): This Fund is also administered by the Public Works Department and consists of four programs: Refuse Collection, Refuse Disposal (which includes the City's Landfill operations), Recycling and Street Sweeping. The Refuse Fund's FY 2020-21 Budget totals \$21.4 million, with \$2.1 of that amount appropriated for capital projects.



Fund 496 (Electric Fund): Burbank Water and Power (BWP) administers this fund, which supplies and distributes to the City of Burbank and its consumers electricity that is reliable, sustainable and cost efficient. The Electric Utility strives to keep rates competitive, while providing sufficient funding for operations and maintenance, including covering the rising costs of energy and providing funds for system reliability and capital improvements. The BWP Electric Fund's FY 2020-21 Budget has a total of \$260 million in overall appropriations, with projected operating revenue of \$237 million. The FY 2020-21 CIP budget for the Electric Fund is approximately \$31.5 million.

Fund 497 (Water Fund): Also administered by BWP, the Water Fund supplies potable and recycled water to the City of Burbank and its customers. The Water Utility is committed to providing safe drinking water reliably at competitive rates, promoting sustainability, and drought proofing a portion of the water supply by investing in the Recycled Water System. The Water Fund Budget includes total appropriations of \$40 million, with projected operating revenue of approximately \$35 million. The Water Fund CIP Budget for FY 2020-21 totals approximately \$5.5 million.

HOUSING AUTHORITY

The City's Housing Authority is funded by HUD, and the use of funds is pursuant to federal government regulations. The Housing Authority will continue to concentrate on expanding housing opportunities for very low-income housing families, avoiding concentrations of assisted housing, and using existing housing stock as affordable housing. This year, \$9.5 million has been budgeted for housing assistance payments.



Since the dissolution of Redevelopment in February 2012, the Burbank Housing Authority has assumed oversight of the Low and Moderate Income Housing Fund, which provided funding for the City's Affordable Housing Program. The objective is to utilize available funds to implement the Focus Neighborhood Revitalization Program to transform once-blighted areas into healthy neighborhoods that encourage community engagement, heightened community identity, and that foster a meaningful quality of life. The Housing Authority now receives debt reimbursement payments associated with the debt between the former Redevelopment Agency and the City. As required by State law, 20 percent of the reimbursement payments are restricted to affordable housing purposes only.

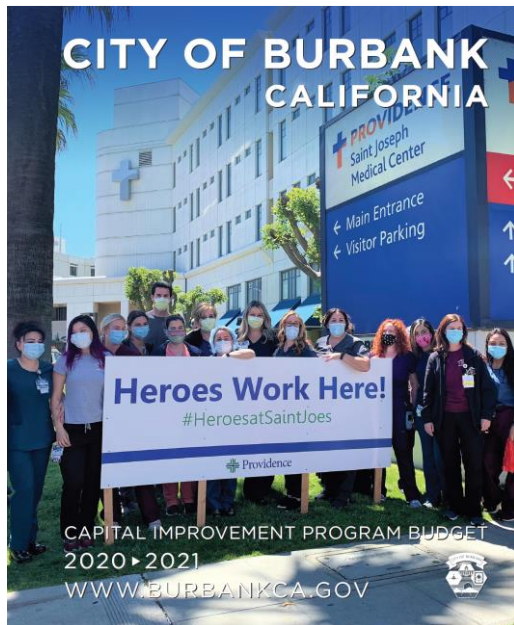
PARKING AUTHORITY

The Parking Authority Fund provides for the acquisition, construction, maintenance, and operation of all City-owned or operated public parking facilities within the City of Burbank. Revenue sources include monthly parking permit fees, lease fees, the Downtown Public Facility Maintenance District levy, and various public-private parking agreements within the downtown area. This year, the management of the Parking Authority will be transitioning from the Public Works Department to the Community Development Department's (CDD) Transportation Division. CDD will lead the City's efforts towards a citywide parking management strategy, beginning with the implementation of managed parking at the downtown Metrolink station this fall. Public Works will continue to retain oversight of the two continuing capital projects within the Parking Authority, which are the Orange Grove Parking Structure Repairs and the Parking Structure Security Cameras. Total FY 2020-21 appropriations of \$809,746 for the Parking Authority will fund the operations and maintenance of downtown parking lots and structures and the administration of parking maintenance agreements and parking permit programs.

CITY MANAGER'S BUDGET MESSAGE



CAPITAL IMPROVEMENT PROGRAM



Although the Capital Improvement Program (CIP) Budget document is developed in conjunction with the operating budget, it is submitted separately to provide more detailed information for each of the 295 capital projects taking place within the City of Burbank. The document itself is a cooperative effort among City staff responsible for their respective projects. Major capital improvements can often be complex projects requiring several years of strategic planning, design, funding, and ultimately, construction. The CIP is a five-year program designed to tie the planning of capital improvements to realistic, reliable funding sources to ensure that both planning and implementation of such projects are balanced with available resources.

In furtherance of the City Council's adopted Infrastructure Maintenance, Repair and Improvement Policy, the FY 2020-21 adopted budget continues to contribute half of the Measure P sales tax revenue to the Municipal Infrastructure Fund 534, in addition to the annual \$4.7 million General Fund maintenance of effort. Additionally, the new Infrastructure Oversight Board (IOB) was established to make

recommendations regarding infrastructure plans and projects, and staff looks forward to working with them on future CIP Budgets. Similar to the General Fund, Measure P sales tax revenues will most certainly be impacted by COVID-19, and in light of this fact, the adopted budget includes only minimal capital spending in Fund 534. All FY 2020-21 Capital Projects and Programmatic Capital appropriations originally proposed and presented to the IOB in January and February of 2020 were removed from the Fund 534 budget, with the exception of the Citywide Street Paving program and Park Irrigation program, both of which provide long-term savings to the City. As indicated earlier, proposed capital projects in certain Special Revenue Funds were also removed or shifted to other sources of funding if projected fund balances could not support these appropriations. Maintenance budgets within the Infrastructure Fund remain the same as the prior year so that staff can continue the proper care of the City's existing facilities and avoid future costly repairs. Similar to prior years, all existing capital projects were carried over as part of the budget adoption process, so that staff can continue to make progress on current projects already in various stages of activity.

Of the City's total budget for FY 2020-21, approximately 7.9 percent is appropriated for Capital Improvements. The multi-year Capital Improvement Program totals \$590 million, including FY 2020-21 appropriations of \$53 million and prior year appropriations of \$240 million. Included in this year's total is over \$2.6 million in grant funds the City anticipates receiving in FY 2020-21. Approximately \$297 million in future year appropriations will be required to complete all of the projects included in this year's Capital Improvement Program Budget.

CITY COUNCIL GOALS

The City Council holds periodic goal setting workshops, the most recent of which took place on Thursday, March 12, 2020. The goal setting process assists policy leaders in developing a future focus, discussing issues and opportunities facing the community, setting strategic direction, and determining priorities. Council goal setting also provides a clear message to City staff as to what the Council aims to accomplish in the upcoming planning period. The Council discussed and ranked their priorities as follows for the upcoming year: 1) Housing, 2) Traffic and Transportation, 3) Quality of Life, 4) City Services, 5) Planning, and 6) Sustainability.

CITY MANAGER'S BUDGET MESSAGE



The City Council's goals drive the City's Work Program, which is prepared annually by City staff. The highlights of the FY 2019-20 Work Program as well as the Work Program goals for FY 2020-21 can be found within the individual department sections of this budget document. The elements of the Work Program are above and beyond the core services to the community that the City provides and part of our continuous improvement efforts. While these identified goals will certainly be impacted by more pressing issues brought about by the pandemic, the Adopted FY 2020-21 Budget closely links the operating and capital expenditure plans with the above priorities established by the City Council.



CONCLUSION

The adopted budget represents a tremendous amount of work by Department Managers and key members of their staff, and I would like to thank all of those responsible for the successful completion of this year's budget. Special thanks go to the Financial Services Department Budget Staff, who spent countless hours developing this budget into a single working document. Lastly, I would also like to thank the City Council for their leadership as policymakers throughout the budget process, and for making difficult, yet responsible decisions to guide this City through difficult times. I am confident that this year's FY 2020-21 Budget helps ensure that the needs of the Burbank community will be met, while we navigate this uncertain future together.

The economic impacts of the COVID-19 are significant worldwide, and the City of Burbank is not immune to these impacts. However, while we are all weathering the same storm, we are not all in the same boat. The City has taken numerous steps since the Great Recession to improve and strengthen the financial position of the City. We have solid financial policies that we have adhered to, that now can help with our financial recovery. Sir Winston Churchill is credited with first saying, "Never let a good crisis go to waste." While governments around the world are facing unprecedented challenges as a result of the pandemic, the City of Burbank will use this opportunity to grow and change so we can emerge from this crisis an even better City than before.

Thank you for allowing me the opportunity to play a role in the continuing success of this great City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Justin Hess".

Justin Hess
City Manager